

**WASHINGTON COUNTY
WATER CONSERVANCY DISTRICT**

**BASIC FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2006

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

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HAFEN
BUCKNER
EVERETT
& GRAFF, PC
CERTIFIED PUBLIC
ACCOUNTANTS

Board of Trustees
Washington County Water
Conservancy District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District, as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC

May 23, 2006

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Management's Discussion and Analysis

This section of Washington County Water Conservancy District's report presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2006. Please read it in conjunction with the transmittal letter and the District's financial statements, which follow this section.

Financial Highlights

- The District's assets exceeded liabilities by \$79.6 million at the close of the most recent fiscal year.
- During the year, the District's total net assets increased by \$22.4 million.
- The District continued with various capital projects during the year. Improvements continued at Kolob Reservoir with construction of the Kolob/Crystal Creek Pipeline diversion and pad. The District continued to work with State Parks and Recreation to build recreational facilities at Sand Hollow. Distribution lines were installed from the new two million gallon water tank at Sand Hollow in preparation of new construction in the Sand Hollow area. Work was completed on several wells around Sand Hollow Reservoir and construction was started on other wells. Work continued at Quail Lake on the 60" bypass line which will give the water treatment plant access to water at the bottom of the reservoir which will be lower in algae.
- The District continues to work with the State of Utah in preliminary engineering and environmental analysis for the Lake Powell Pipeline. In 2006 the State passed the Lake Powell Pipeline Act to fund this work; however, the District must pay back all reimbursable costs and is maintaining an impact fee account for that purpose.
- The District continues to work with state resource agencies regarding native fish populations in the Virgin River. The Virgin River Resource Management and Recovery Program continues to work on finding ways to provide habitat for native fish.
- The District continues to work with Municipalities in Washington County regarding cooperation on regionalization of water resources. The District has traditionally relied upon "take-or-pay" contracts with the cities to secure financing for water projects. With a regional water supply structure, new water development undertaken to meet new growth needs will be paid for by impact fees, property taxes and a water development surcharge based on equivalent residential units.
- The following water conservation programs were again funded by the District this year. *Water Checks* educate the homeowner on proper irrigation to promote a water-efficient landscape. The *Annual Water Fair* provides water education to all county 4th graders.

Also, funds were provided to St. George City for implementation of their *toilet rebate program*. The District continues to participate in a state-wide media campaign to promote water conservation as well as implementing a local promotion. Two matching fund grants have been used to provide two water conservation programs and establish a telemetry project. The two conservation programs are: (1) a part-time assistant at the Demonstration Garden to help maintain the garden and provide educational programs; (2) a rebate for smart water controllers. These rebates are offered to both homeowners and large water users. Lastly, the *telemetry project* monitors the flows at various diversions along the Santa Clara and Virgin Rivers and is published on a website available to all water users.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. Governmental activities generally are financed through taxes, intergovernmental revenues and other non exchange revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The District owns real property which is shown on the books at cost. Approximately 1000 - 1200 acres may eventually be declared surplus property and sold at market value. The current fair market value for this property is \$50,000 to \$125,000 per acre. It is anticipated that the value will continue to increase over time. These values are not reflected in the statement of net assets.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like

other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund and the capital projects fund, each of which are considered to be major funds.

General Fund. The General Fund is the operating fund of the District. Revenues from tax collections are received into this fund. Expenditures include administrative costs. Fund transfers are made from the General Fund to the other funds of the District.

Capital Projects. Revenues from impact fees are received into the Capital Projects fund. This fund is used to account for resources used for construction and improvement of capital facilities.

Special Revenue Fund. The Special Revenue Fund receives Federal and State money's used for the maintenance and operation of the Virgin River Resource Management and Recovery Program (VRRMRP). The money in the fund is 50% Federal money and 50% State money. The District's portion of maintenance and operation of the VRRMRP is accounted for in the proprietary fund.

The District adopts an annual appropriated budget for Governmental and Enterprise Funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. There is no significant variation between the original and final budgets.

- **Proprietary funds.** The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22.4 million at the close of the most recent fiscal year.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Current and other assets	\$27,991,149	\$16,614,784
Capital assets	<u>23,005,573</u>	<u>40,324,230</u>
Total assets	<u>50,996,722</u>	<u>56,939,014</u>
Current and other liabilities	2,547,142	3,725,158
Long-term liabilities outstanding	549,410	21,768,468
Deferred revenue	<u>8,197,576</u>	<u>3,838,097</u>
Total liabilities	<u>11,294,128</u>	<u>29,331,723</u>
Net assets:		
Invested in capital assets, net of related debt	22,456,163	19,901,575
Restricted	10,153,538	4,171,075
Unrestricted	<u>7,092,893</u>	<u>3,534,641</u>
Total net assets	<u>\$39,702,594</u>	<u>\$27,607,291</u>

Current assets are higher in 2006 as compared to 2005 because receivables from property taxes increased and income from impact fees was collected and set aside to pay for future water development projects. Capital assets decreased as various construction projects were completed and the asset was moved to the Proprietary Fund. Long-term debt decreased as principal on outstanding debt was paid and debt related to various completed capital projects was moved to the Proprietary Fund. Deferred revenue increased due to promissory notes related to impact fees.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT Net Assets

	Business-type Activities 2006	Business-type Activities 2005
Current and other assets	\$10,646,136	\$9,710,435
Capital assets	<u>104,033,324</u>	<u>76,030,924</u>
Total assets	<u>114,679,460</u>	<u>85,741,359</u>
Current and other liabilities	1,005,180	540,660
Long-term liabilities outstanding	69,361,436	50,481,809
Deferred revenue	<u>4,456,960</u>	<u>4,596,525</u>
Total liabilities	<u>74,823,576</u>	<u>55,618,994</u>
Net assets:		
Invested in capital assets, net of related debt	34,696,888	25,574,115
Restricted	2,492,347	1,351,919
Unrestricted	<u>2,666,649</u>	<u>3,196,332</u>
Total net assets	<u>\$39,855,884</u>	<u>\$30,122,366</u>

Capital assets are higher in 2006 as compared to 2005 because of continued improvements and transfer of completed projects from the Capital Projects Fund to the Proprietary Fund. Debt payments increased because the debt related to completed projects was also moved to the Proprietary Fund.

- The largest portion of the District's net assets (71.8 %) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment, net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to Washington County residents; consequently, these assets are *not* available for future spending, unless the property is declared as surplus and then sold at market value.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- An additional portion of the District's net assets (15.8%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of *unrestricted net assets* (12.2%) may be used to meet the District's obligations to county residents, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for government as a whole, as well as for its separate governmental and business-type activities. The District's net assets increased to \$79.6 million during the current year compared to \$57.2 million last year.

Governmental activities. This section will discuss and analyze significant differences between years.

**Financial Analysis of the District's Funds
Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Revenues		
Charges for services	\$11,899,176	\$685,665
Operating grants and contributions	1,036,064	2,124,605
Capital grants and contributions	6,637,916	5,836,654
General Revenues:		
Property taxes	8,868,859	8,406,231
Other	19,849	1,748
Interest earnings	768,966	432,435
Operating transfers	(3,970,242)	(2,904,255)
Transfers of Capital Assets	<u>(9,211,387)</u>	<u>(3,695,743)</u>
Total Revenues and Transfers	<u>(3,523,955)</u>	<u>2,240,416</u>

Expenses:

General government	2,691,511	7,710,715
Interest on long-term debt	<u>712,977</u>	<u>970,301</u>
Total Expenses	<u>3,404,488</u>	<u>8,681,016</u>
Change in Net Assets	12,644,713	1,039,815
Net Assets at Beginning of Year	<u>27,057,881</u>	<u>26,018,066</u>
Net Assets at End of Year	<u>\$39,702,594</u>	<u>\$27,057,881</u>

Charges for services increased because of impact fees which are collected for future water projects. Part of the operating grants and contributions money was contributed by USDA/NRCS for the St. George and Washington Canal Company pipeline project which the District is overseeing. Part of the capital grants and contributions money was contributed by State Parks for work related to improvements at Sand Hollow Reservoir and St. George City for the Ivins to Santa Clara pipeline rebuild which was damaged by the floods of 2005.

**Financial Analysis of the District's Funds
Change in Net Assets**

	Business-type Activities 2006	Business-type Activities 2005
Revenues:		
Charges for services	\$4,721,895	\$3,730,255
General Revenues:		
Other	153,739	22,574
Interest earnings	102,424	109,795
Operating transfers	3,970,242	2,904,255
Transfers of Capital Assets	<u>9,211,387</u>	<u>3,695,743</u>
Total Revenues and Transfers	<u>13,437,792</u>	<u>6,732,367</u>
Expenses:		
Water and power utilities	6,224,028	3,768,379
Interest on long-term debt	<u>2,228,808</u>	<u>1,967,526</u>
Total Expenses	<u>8,452,836</u>	<u>5,735,905</u>
Change in Net Assets	<u>9,733,518</u>	<u>4,813,594</u>
Net Assets at Beginning of Year	<u>30,122,366</u>	<u>25,308,772</u>
Net Assets at End of Year	<u>\$39,855,884</u>	<u>\$30,122,366</u>

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$39,702,594 million. Approximately 17.8 % of this total amount, or \$7,092,893, constitutes unreserved fund balance which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to construct new projects.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that is not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation of the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the General Fund are required by state law to be appropriated in the following year's budget. Fund balances of the Special Revenue Fund and Capital Projects Fund are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Proprietary Fund at the end of the year amounted to \$2,666,649.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were made to reflect changes in programs and related funding. Even with these adjustments, actual expenditures were below final budgeted amounts. Resources available for appropriation were above final budgeted amounts. Variances primarily result from expenditures.

Grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Since property taxes comprise the bulk of total revenue, projecting future growth and trends is a critical part of the budget process. Steady growth indicates steady increases in revenue.

Capital Asset and Debt Administration.

Capital Assets. The capital projects fund is used to account for the costs incurred in acquiring, constructing and repairing facilities within the District. The District began and completed various projects during 2006.

Major capital asset events during the current fiscal year included the following:

- Continued work on construction of the Kolob/Crystal Creek pipeline diversion dam and pad at a cost of \$230,431.
- Continued Sand Hollow recreation improvements, drilling of new wells, installation of distribution lines and capture of ground water and new pump station at the west dam at a cost of \$2,592,960.
- Continued work and completion of a new two million gallon water tank and installation of distribution lines at Dixie Springs at a cost of \$910,864.
- Continued construction of a bypass pipeline around Quail Lake to help combat taste and odor problems during the summer months at a cost of \$303,987.
- The Water District continued the overseeing of the building of the St. George and Washington Canal Company pipeline project for the Canal Company and is being reimbursed.

Capital assets as of December 31, 2006, are outlined below.

Washington County Water Conservancy District's Capital Assets
(Net of depreciation)

	Governmental Activities 2006	Governmental Activities 2005
Land & water rights	\$12,133,533	\$12,021,770
Buildings, furniture, fixtures, equipment	352,957	332,637
Vehicles	67,619	63,147
Projects in Progress	10,652,761	28,082,597
Accumulated depreciation	<u>(201,296)</u>	<u>(175,921)</u>
Total Capital Assets	<u>\$23,005,574</u>	<u>\$40,324,230</u>

	Business-type Activities 2006	Business-type Activities 2005
Land & water rights	\$2,170,851	\$2,122,540
Buildings, furniture, fixtures, equipment	4,666,684	4,666,684
Dams, pipeline, wells, water tanks, roads	118,957,026	88,932,305
Project equipment	228,122	99,662
Vehicles	231,178	138,948
Accumulated depreciation	<u>22,220,537</u>	<u>19,929,215</u>
Total Capital Assets	<u>\$104,033,324</u>	<u>\$76,030,924</u>

Long-Term Debt. At the end of the current fiscal year the District had total bonded debt outstanding of \$70,333,513.

General Obligation Bonds	\$10,365,000
Revenue Bonds	58,229,000
Notes Payable	<u>1,739,513</u>
Total	<u>\$70,333,513</u>

The District's total debt decreased by \$2,390,579 during the current fiscal year.

The District receives its revenue bonds through the Utah Water Finance Agency. The Utah Water Finance Agency is a cooperative formed with other state water districts which come together to obtain bonds at a better interest rate. The District's revenue bonds are rated Aaa by Moody's and are insured.

Additional information on the District's long-term debt can be found in notes 7 and 8 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Washington County Water Conservancy District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the District at 136 North 100 E, St. George, UT 84770.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Net Assets

December 31, 2006

	Governmental Activities	Business-type Activities	Totals
Assets:			
Cash & Cash Equivalents (Note 2)	\$ 14,455,751	\$ 5,577,342	\$ 20,033,093
Accounts Receivable (Note 3)	5,779,049	615,882	6,394,931
Due from Other Governmental Units (Note 4)	4,166,944	-	4,166,944
Restricted Cash (Note 2)	3,589,405	2,492,347	6,081,752
Other Assets	-	1,960,565	1,960,565
Capital Assets (Note 5):			
Land and Water Rights	12,133,533	2,170,850	14,304,383
Projects in Progress	10,652,760	-	10,652,760
Other Capital Assets (net of accumulated depreciation)	219,280	101,862,474	102,081,754
Total Assets	50,996,722	114,679,460	165,676,182
Liabilities:			
Interfund Balances	-	-	-
Accounts Payable (Note 6)	2,462,216	235,275	2,697,491
Accrued Liabilities (Note 6)	84,926	85,572	170,498
Accrued Interest	-	675,047	675,047
Other Current Liabilities	-	9,286	9,286
Long-Term Debt:			
Due within one year (Notes 7 & 8)	549,410	2,423,989	2,973,399
Due in more than one year (Notes 7 & 8)	-	66,912,447	66,912,447
Deferred Revenue (Note 10)	8,197,576	4,456,960	12,654,536
Other	-	25,000	25,000
Total Liabilities	11,294,128	74,823,576	86,117,704
Net Assets:			
Invested in Capital Assets, net of related debt	22,456,163	34,696,888	57,153,051
Restricted (Note 13)	10,153,538	2,492,347	12,645,885
Unrestricted	7,092,893	2,666,649	9,759,542
Total Net Assets	\$ 39,702,594	\$ 39,855,884	\$ 79,558,478

The notes to the financial statements are an integral part of this statement

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Activities

For the Year Ended December 31, 2006

	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government						
Governmental Activities						
General Government	\$ 2,691,511	\$ 11,899,176	\$ 1,036,064	\$ 6,637,916	\$ 16,881,645	\$ 16,881,645
Interest on long-term debt	712,977	-	-	-	(712,977)	(712,977)
Total Governmental Activities	3,404,488	11,899,176	1,036,064	6,637,916	16,168,668	16,168,668
Business-type Activities						
Water and Power Utilities	6,224,028	4,721,895	-	26,667	-	(1,475,466)
Interest on long-term debt	2,228,808	-	-	-	-	(2,228,808)
Total Business-type Activities	8,452,836	4,721,895	-	26,667	-	(3,704,274)
Total Primary Government	\$ 11,857,324	\$ 16,621,071	\$ 1,036,064	\$ 6,664,583	16,168,668	12,464,394
General Revenues						
Property Taxes					8,868,859	8,868,859
Other					19,849	173,588
Interest Earnings					768,966	871,390
Transfers In (Out)					(3,970,242)	-
Transfers of Capital Assets					(9,211,387)	-
Total General Revenues and Transfers					(3,523,955)	9,913,837
Change in Net Assets					12,644,713	22,378,231
Net Assets at Beginning of Year					27,057,881	57,180,247
Net Assets at End of Year					\$ 39,702,594	\$ 79,558,478

The notes to the financial statements are an integral part of this statement

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Balance Sheet Governmental Funds December 31, 2006

	Major Funds			Total
	General Fund	Virgin River Program	Capital Projects Fund	Governmental Funds
ASSETS				
Current Assets:				
Cash & Cash Equivalents (Note 2)	\$ 3,555,317	\$ 3,644,020	\$ 7,256,414	\$ 14,455,751
Accounts Receivable (Note 3)	-	-	5,779,049	5,779,049
Due from Other Governmental Units (Note 4)	4,166,944	-	-	4,166,944
Total Current Assets	7,722,261	3,644,020	13,035,463	24,401,744
Restricted Assets:				
Restricted Cash (Note 2)	-	-	3,589,405	3,589,405
Other Assets:				
Other Assets	-	-	-	-
TOTAL ASSETS	\$ 7,722,261	\$ 3,644,020	\$ 16,624,868	\$ 27,991,149
LIABILITIES & FUND EQUITY				
Current Liabilities:				
Accounts Payable (Note 6)	\$ 57,771	\$ 356,855	\$ 2,047,590	\$ 2,462,216
Due to Other Funds	-	-	-	-
Accrued Liabilities (Note 6)	81,524	3,402	-	84,926
Other Current Liabilities	-	-	-	-
Total Current Liabilities	139,295	360,257	2,047,590	2,547,142
Other Liabilities:				
Deferred Revenue (Note 10)	490,073	3,283,763	4,423,740	8,197,576
Total Liabilities	629,368	3,644,020	6,471,330	10,744,718
Fund Equity:				
Restricted (Note 13)	-	-	10,153,538	10,153,538
Unrestricted	7,092,893	-	-	7,092,893
Total Fund Equity	7,092,893	-	10,153,538	17,246,431
TOTAL LIABILITIES & FUND EQUITY	\$ 7,722,261	\$ 3,644,020	\$ 16,624,868	\$ 27,991,149

The notes to the financial statements are an integral part of this statement

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets December 31, 2006

Total fund balances for governmental funds

\$ 17,246,431

Total net assets reported for governmental activities differs from the statement of net assets as follows:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land & Water Rights	\$ 12,133,533	
Office Building	201,924	
Furniture & Fixtures	62,144	
Office Equipment	88,889	
Vehicles	67,619	
Projects in Progress	10,652,760	
Accumulated Depreciation	(201,296)	
Total Capital Assets		23,005,573

Long-term Liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end follow:

Note Payable	(549,410)	
Total Long-term Liabilities		(549,410)

Total net assets of governmental activities

\$ 39,702,594

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	General Fund	Virgin River Program	Capital Projects Fund	Total Governmental Funds
REVENUE:				
Property Taxes (Note 9)	\$ 8,868,859	\$ -	\$ -	\$ 8,868,859
Impact Fees	-	-	4,964,824	4,964,824
Interest Income	526,666	173,636	68,664	768,966
Other Income	664,125	1,017,133	12,946,923	14,628,181
Total Revenues	10,059,650	1,190,769	17,980,411	29,230,830
EXPENDITURES:				
Capital Expenditures	173,083	-	-	173,083
New Project Development	211,629	18,615	12,608,891	12,839,135
Public Relations	39,429	88,049	-	127,478
Payroll	335,037	41,234	-	376,271
State Retirement (Note 12)	68,005	9,432	-	77,437
Cloud Seeding	25,125	-	-	25,125
Audit & Accounting	21,888	-	-	21,888
Telephone	7,476	955	-	8,431
Insurance and Bond	76,586	14,409	-	90,995
Travel & Training	17,675	15,372	-	33,047
Office	84,325	10,312	-	94,637
Printing	254	-	-	254
Miscellaneous	1,984	-	3,350	5,334
Legal	217,417	-	179	217,596
Auto Expense	12,554	-	-	12,554
Board Expense	38,462	-	-	38,462
Debt Service:				
Principal	-	-	516,000	516,000
Interest	-	-	990,081	990,081
Flood Damage Restoration	304,165	40,000	-	344,165
Engineering & Maintenance	-	25,383	-	25,383
Environmental	-	807,923	-	807,923
Conservation	98,058	-	-	98,058
Utilities	6,887	724	-	7,611
Building Maintenance	8,174	-	-	8,174
Total Expenditures	1,748,213	1,072,408	14,118,501	16,939,122
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out) (Note 11)	(5,972,434)	(118,361)	2,120,553	(3,970,242)
Long-Term Debt Proceeds	-	-	-	-
Total Other Financing Sources	(5,972,434)	(118,361)	2,120,553	(3,970,242)
Net Change in Fund Balances	2,339,003	-	5,982,463	8,321,466
Fund Balance at Beginning of Year	4,753,890	-	4,171,075	8,924,965
FUND BALANCE AT END OF YEAR	\$ 7,092,893	\$ -	\$ 10,153,538	\$ 17,246,431

See Notes To Financial Statements

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in

Fund Balances of Government Funds to the Statement of Activities

For the Year Ended December 31, 2006

Net change in fund balances - total governmental funds	\$ 8,321,466
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Amounts reported for governmental activities differs from the statement of activities as follows:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	\$ 12,791,818	
Depreciation	(31,222)	
Loss on retirement of capital assets	(2,690)	
Total Capital Assets		12,757,906

In addition, as governmental funds do not report capital assets, transfers of capital assets (net of related transferred long-term debt) to the enterprise fund are not reported in the governmental fund. The amount during 2006 is:

(9,211,387)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Amortization of bond issue costs	\$ (16,376)	
Amortization of bond premium	30,586	
Long-Term Debt Proceeds	-	
Repayment of Bond Principal	516,000	
Interest Expense	246,518	
Total Long-term Liabilities		776,728

Change in net assets of governmental activities	<u>\$ 12,644,713</u>
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The notes to the financial statements are an integral part of this statement

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Net Assets--Proprietary Fund

December 31, 2006

With Comparative Totals from December 31, 2005

	<u>2006</u>	<u>2005</u>
ASSETS:		
Current Assets:		
Cash & Cash Equivalents (Note 2)	\$ 5,577,342	\$ 5,144,051
Due From Other Funds	-	-
Accounts Receivable (Note 3)	615,882	1,585,319
Total Current Assets	<u>6,193,224</u>	<u>6,729,370</u>
Restricted Assets:		
Restricted Cash (Note 2)	2,492,347	1,351,919
Fixed Assets (Note 5):		
Land and Water Rights	2,170,850	2,122,540
Other Fixed Assets (net of accumulated depreciation)	101,862,474	73,908,384
Other Assets:		
Other Assets	<u>1,960,565</u>	<u>1,629,147</u>
TOTAL ASSETS	<u>114,679,460</u>	<u>85,741,360</u>
 LIABILITIES:		
Current Liabilities:		
Accounts Payable (Note 6)	235,275	41,187
Accrued Liabilities (Note 6)	85,572	57,800
Accrued Interest	675,047	437,637
Other Current Liabilities	9,286	4,036
Current Portion of Long-Term Debt (Notes 7 & 8)	2,423,989	2,423,989
Total Current Liabilities	<u>3,429,169</u>	<u>2,964,649</u>
Long Term Liabilities:		
Bonds Payable (net of deferred refunding costs)(Notes 7 & 8)	68,146,333	49,202,717
Notes Payable (Notes 8)	1,190,103	1,254,092
Less: Current Portion (Notes 7 & 8)	<u>(2,423,989)</u>	<u>(2,423,989)</u>
Total Long Term Liabilities	<u>66,912,447</u>	<u>48,032,820</u>
Other Liabilities:		
Deferred Revenue (Note 10)	4,456,960	4,596,525
Other	25,000	25,000
Total Other Liabilities	<u>4,481,960</u>	<u>4,621,525</u>
TOTAL LIABILITIES	<u>74,823,576</u>	<u>55,618,994</u>
 NET ASSETS:		
Invested in Capital Assets, net of related debt	34,696,888	25,574,115
Restricted (Note 13)	2,492,347	1,351,919
Unrestricted	<u>2,666,649</u>	<u>3,196,332</u>
TOTAL NET ASSETS	<u>\$ 39,855,884</u>	<u>\$ 30,122,366</u>

See Notes to Financial Statements

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Propriety Fund

For the Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006	2005
OPERATING REVENUES:		
Power Sales	\$ 939,795	\$ 1,235,740
Water Sales	3,536,254	2,206,306
Water Availability Fees	220,643	267,062
Total Revenues	4,696,692	3,709,108
EXPENSES:		
Depreciation (Note 5)	2,291,322	2,194,268
Environmental	86,841	1,883
Operations & Maintenance	1,924,626	331,177
Payroll	750,663	434,036
State Retirement (Note 12)	162,332	91,716
Insurance & Bonds	332,379	223,997
Utilities	479,588	331,010
Water Fees	28,980	18,442
Telephone	16,878	12,806
Auto Expenses	37,090	32,485
Service Charges	80,987	81,831
Miscellaneous	3,693	311
Travel & Training	28,649	14,417
Total Expenses	6,224,028	3,768,379
Income (Loss) From Operations	(1,527,336)	(59,271)
OTHER INCOME (EXPENSES):		
Other Income	205,609	130,598
Interest Income	102,424	109,795
Interest Expense	(2,228,808)	(1,967,526)
Total Other Income (Expenses)	(1,920,775)	(1,727,133)
Net Income (Loss)	(3,448,111)	(1,786,404)
Net Assets at Beginning of Year	30,122,366	25,308,772
Transfers In (Out) (Note 12)	3,970,242	2,904,255
Transfers of Capital Assets (Note 12)	9,211,387	3,695,743
Net Assets at End of Year	\$ 39,855,884	\$ 30,122,366

See Notes To Financial Statements

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Years Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006	2005
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 5,526,564	\$ 3,260,064
Payments to suppliers and providers of services	(2,953,887)	(1,303,149)
Payments to employees	(722,891)	(404,390)
Net Cash Provided(Used) by Operating Activities	1,849,786	1,552,525
<u>Cash Flows From Noncapital Financing Activities:</u>		
Other Revenue	205,609	130,598
Amount received (paid) from Other Fund	-	-
Restricted Cash transferred with debt related to completed project	551,634	-
Transfers In	3,847,006	3,370,005
Transfers Out	(428,398)	(465,750)
Net Cash Provided by Noncapital Financing Activities	4,175,851	3,034,853
<u>Cash Flows From Capital and Financing Activities:</u>		
Bond Proceeds	-	19,000,000
Repayment of bonds	(2,360,000)	(21,075,000)
Interest paid on Capital Debt	(1,973,653)	(1,994,986)
Acquisition & Construction of Capital Assets	(220,689)	(112,208)
Net Cash Used by Capital and Related Financing Activities	(4,554,342)	(4,182,194)
<u>Cash Flows From Investing Activities:</u>		
Interest & Dividends Received	102,424	109,795
Acquisition of Investment Land	-	-
Net Cash Provided by Investing Activities	102,424	109,795
Net Increase (Decrease) in Cash	1,573,719	514,979
Cash at Beginning of Year	6,495,970	5,980,991
Cash at End of Year	\$ 8,069,689	\$ 6,495,970

Reconciliation of Operating Income to Net Cash

provided by (used in) operating activities:

Operating Income (Loss)	\$ (1,527,336)	\$ (59,271)
Depreciation	2,291,322	2,194,268
Amortization	38,770	27,672
(Increase) Decrease in Accounts Receivable	969,437	(309,479)
(Increase) Decrease in Other Assets	(9,952)	(214,361)
(Decrease) Increase in Accounts Payable	194,088	30,938
(Decrease) Increase in Accrued Liabilities	27,772	21,287
Increase (Decrease) in Other Current Liabilities	5,250	1,036
Increase (Decrease) in Other Liabilities	(139,565)	(139,565)
Net Cash Provided(Used) by Operating Activities	\$ 1,849,786	\$ 1,552,525

Noncash Capital Activities:

During 2006, the District transferred \$9,211,387 in completed projects from Projects in Progress in the Capital Projects fund to the Enterprise Fund.

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNT POLICIES

The Washington County Water Conservancy District (the District) prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies of the District are described in subsequent sections of this note.

Reporting entity - The District was organized by the 5th Judicial District for Washington County, State of Utah, and the seven board members were appointed by the Washington County Commissioners. The purpose of the District is to provide for water conservation within Washington County. Activities of the District include identification of possible future water storage sites and the purchase and construction of such facilities. The District is an independent reporting entity and is not a component unit of any other government. The Board establishes District policies, approves the budget, is responsible for fiscal matters, is authorized to issue bonds, incur debt, and to levy ad valorem taxes.

All funds, including all financial activities over which the Board has financial accountability, are included in this report. The District's financial reporting entity is comprised of all funds of the District, which constitute the primary government.

In determining the financial reporting entity, the District complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. The District has no component units.

Government-wide and fund financial statements - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied in the government-wide financial statements unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNT POLICIES - (CONTINUED)

Separate financial statements are provided for each fund category (governmental and proprietary). Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *capital projects fund* are used to account for financial resources to be used for the acquisition and improvement of sites, construction and remodel of major capital facilities.
- The *Virgin River program fund* is a special revenue fund and accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Additionally, the District reports their power and water production, storage and distribution operations as a proprietary fund.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide and proprietary fund financial statements* are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNT POLICIES - (CONTINUED)

Cash, Deposits and Investments - Cash includes demand deposits with banks. Deposits are not collateralized nor are they required to be by State statute. State law requires that the District follow the requirements of the State Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law requires the depositing of District funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah State Commissioner of Financial Institutions as meeting the requirements of the Act. The Act also defines the type of investments allowable which include demand deposits and time certificates of deposit of "qualified" depositories of the State of Utah, repurchase agreements with "qualified" depositories, bonds or other evidence of indebtedness of the U.S. Government, investment pools with the Utah State Treasurer, and commercial paper of qualifying companies. Investments are stated at cost.

Capital Assets - Capital assets, which include property, water rights, structures and equipment, are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Donated fixed assets are valued at their estimated fair value on the date donated.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	10 - 40 years
Water Systems	40 - 50 years
Hydroelectric Plants & Components	35 years
Furniture, Fixtures & Equipment	5 - 15 years

Compensated Absences - The District accrues unpaid annual time off, when earned by the employee. All accrued leave at December 31, 2006 was recorded as a current liability in the General and Proprietary funds.

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amounts of the debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNT POLICIES - (CONTINUED)

Restricted Assets - Restricted assets include cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

Budgetary Data - The District adopts an annual budget for governmental and business-type Funds. Once adopted, the budget can be amended by subsequent board action. Budgets are presented on the modified accrual basis of accounting for all governmental funds. The level by which expenditures may not legally exceed appropriations is the total budget of a given fund.

Property Taxes - The property taxes of the District are levied, collected, and distributed by Washington County as required by Utah State law. Utah statutes established the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 8 and August 22 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1 until the date paid. If in May of the fifth year the taxes remain delinquent, the County advertises and sells the property at a tax sale. Therefore, property taxes are ultimately collectible and no allowance for doubtful accounts is considered necessary. As of December 31, 2006, all real property was assessed at \$9,834,460,530.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District pools the cash and cash equivalents of the various funds into a number of demand and interest-bearing accounts in the custody of the District Treasurer.

Custodial Credit Risk-Deposits - At December 31, 2006, the carrying amount of the District's bank deposits was \$1,830,958 and the bank balances were \$2,145,460. Of the bank balances, \$200,000 was covered by Federal Depository Insurance and \$1,945,460 was uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by State statute.

Custodial Credit Risk-Investments - All investment securities are held in a qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Utah Money Management Council. Investments at December 31, 2006 consisted of the following:

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS - (CONTINUED)

	Carrying Amount	Market Value
US Treasury Securities	\$ 1,036,513	\$ 1,036,513
Utah Public Treasurer's Investment Fund	<u>23,247,374</u>	<u>22,854,760</u>
Total Investments	24,283,887	16,572,750
Total Cash Deposits	<u>1,830,958</u>	<u>1,830,958</u>
 Total Cash & Investments	 <u>\$26,114,845</u>	 <u>\$17,011,091</u>

A summary of the cash and investments at December 31, 2006, is as follows:

US Treasury Securities	\$ 1,036,513
Demand Deposits	1,830,958
State Treasurer	<u>23,247,374</u>
 Total Cash and Cash Equivalents	 <u>\$ 26,114,845</u>

Presented by:

General Fund	\$ 3,555,317
Virgin River Program	3,644,020
Capital Projects Fund	10,845,819
Enterprise Fund	<u>8,069,689</u>
 Total	 <u>\$ 26,114,845</u>

Interest Rate Risk-Investments - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy limits the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The District's only investments that are not demand deposit are the U.S. Treasury Securities held by their Trustee for debt reserves.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable of the Enterprise Funds are from power and water sales. The Power Sales are to Dixie Escalante REA and Hurricane City, and are made under a contract dated May 10, 1984. The contract specifies that power generated be sold at seven cents per kilowatt hour. Dixie Escalante REA purchases all power produced by the Quail Creek Hydroelectric plant and Hurricane City purchases all power generated by the Pah Tempe Plant. The water sales arise from individual contracts to various municipalities and others. Accounts receivable balance at December 31, 2006 consisted of the following:

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCOUNTS RECEIVABLE - (CONTINUED)

<u>Customer</u>	<u>Amount</u>	<u>Type</u>
Dixie Escalante REA	\$ 72,842	Power
Hurricane City	25,638	Power
St. George City	92,330	Water
Washington City	14,515	Water
Toquerville City	35,220	Water
Virgin City	44,400	Water
Ivins City	84,508	Water
Hurricane City	199,514	Water
Other	<u>46,915</u>	Water
Total	<u>\$ 615,882</u>	

Accounts receivable of the capital projects fund is mostly from the St. George & Washington Canal Co. and Impact fees (See Note 16).

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

The amount due from other governmental units consists of property taxes collected for the District by Washington County but unremitted as of December 31, 2006 as well as uncollected property taxes which are also recorded as deferred revenue.

NOTE 5 - CAPITAL ASSETS

Capital asset activity as of December 31, 2006 consisted of the following:

	<u>12/31/2005</u>				<u>12/31/2006</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
Governmental Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	\$ 12,021,770	\$ 160,074	\$ —	\$ (48,311)	\$ 12,133,533
Projects in Progress	<u>28,082,597</u>	<u>12,598,415</u>	<u>3,529</u>	<u>(30,024,722)</u>	<u>10,652,761</u>
Total Nondepreciable Assets	<u>40,104,367</u>	<u>12,758,489</u>	<u>3,529</u>	<u>(30,073,033)</u>	<u>22,786,294</u>
Depreciable Capital Assets:					
Office Building	201,924	—	—	—	201,924
Furniture & Fixtures	62,144	—	—	—	62,144
Office Equipment	68,569	20,320	—	—	88,889
Vehicles	<u>63,147</u>	<u>33,709</u>	<u>29,237</u>	<u>—</u>	<u>67,619</u>
Total Depreciable Capital Assets	395,784	54,029	29,237	—	420,576
Accumulated Depreciation	<u>(175,921)</u>	<u>31,222</u>	<u>5,847</u>	<u>—</u>	<u>(201,296)</u>
Depreciable Capital Assets, net	<u>219,863</u>	<u>22,807</u>	<u>23,390</u>	<u>—</u>	<u>219,280</u>
Capital Assets, net	<u>\$ 40,324,230</u>	<u>\$ 12,781,296</u>	<u>\$ 26,919</u>	<u>\$ (30,073,033)</u>	<u>\$ 23,005,574</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS - (CONTINUED)

Depreciation expense for the year ended December 31, 2006 of \$31,222 was charged to governmental activities.

	12/31/2005				12/31/2006
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
Business-type Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	\$ 2,122,540	\$ —	\$ —	\$ 48,311	\$ 2,170,851
Depreciable Capital Assets:					
Hydroplants	4,666,684	—	—	—	4,666,684
Diversion Dam & Pipeline	11,660,454	—	—	—	11,660,454
Other Equipment	99,662	128,460	—	—	228,122
Roads & Recreation	1,308,643	—	—	—	1,308,643
Vehicles	138,948	92,230	—	—	231,178
Quail Creek Dams	24,387,173	—	—	—	24,387,173
Hurricane Valley Water System	984,540	—	—	9,410	993,950
Cottam Well Water System	2,214,338	—	—	9,970	2,224,308
Quail Creek Parallel	4,468,292	—	—	1,040,871	5,509,163
Kayenta Ence Wells	541,064	—	—	41,035	582,099
Kolob Reservoir	954,099	—	—	—	954,099
Washington City System	115,286	—	—	—	115,286
Fairground Water	138,143	—	—	—	138,143
Toquerville Secondary Water System	2,545,510	—	—	—	2,545,510
Webb Hill Fish Barrier	95,584	—	—	—	95,584
Sand Hollow	35,850,610	—	—	3,494,861	39,345,471
Leap Creek	323,932	—	—	—	323,932
Drought Mitigation Plan	1,461,868	—	—	—	1,461,868
Ivins-Santa Clara Water System	—	—	—	6,555,506	6,555,506
Virgin-LaVerkin Water System	1,882,768	—	—	—	1,882,768
Regional Pipeline	—	—	—	18,873,069	18,873,069
Total Depreciable Capital Assets	93,837,599	220,689	—	30,024,722	124,083,010
Less Accumulated Depreciation	(19,929,215)	2,291,322	—	—	(22,220,537)
Depreciable Capital Assets, net	73,908,384	(2,082,060)	—	30,024,722	101,862,473
Capital Assets, net	\$ 76,030,924	\$(2,082,060)	\$ —	\$ 30,073,033	\$104,033,324

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at December 31, 2006 include amounts due for various contracts and operating expenses of District and the District's accrued liabilities as of December 31, 2006.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE

On January 1, 1990, \$12,000,000 in Water Conservancy General Obligation bonds were issued by the District to the state of Utah and are designated for the Quail Creek Dike reconstruction, now called the "South Dam." These bonds are non interest-bearing bonds and have the following remaining maturities:

2007	\$ 1,000,000	2010	1,000,000
2008	1,000,000	2011	<u>700,000</u>
2009	1,000,000	Total	<u>\$ 4,700,000</u>

On March 1, 1999, the District issued \$7,230,000 in Convertible Taxable/Tax-Exempt General Obligation 1999 Series Bonds with an average interest rate of 5.2 percent. The District converted the bonds to tax-exempt status on November 3, 2000. The 1999 Series bonds are payable in semiannual installments including interest on February 1 and August 1 of each year. The tax-exempt bonds maturing on or after February 1, 2010, are subject to redemption, in whole or in part, at the election of the District on any date or after February 1, 2009, from such maturities or parts thereof as shall be selected by the District at a redemption price equal to 101% of the principal amount of the bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The tax-exempt bonds maturing on or after February 1, 2011, are subject to redemption, in whole or in part, at the election of the District on any date on or after February 1, 2010, from such maturities or parts thereof as shall be selected by the District at a redemption price equal to 100% of the principal amount of the bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The remaining debt service is as follows:

Year Ending Dec. 31	Principal	Interest	Annual Debt Service
2007	\$ 350,000	\$ 270,888	\$ 620,888
2008	375,000	254,750	629,750
2009	385,000	237,457	622,457
2010	415,000	218,954	633,954
2011	430,000	199,200	629,200
2012	455,000	178,289	633,289
2013	480,000	155,843	635,843
2014	495,000	131,951	626,951
2015	520,000	106,050	626,050
2016	555,000	77,831	632,831
2017	585,000	47,906	632,906
2018	<u>620,000</u>	<u>16,275</u>	<u>636,275</u>
Totals	<u>\$ 5,665,000</u>	<u>\$ 1,895,394</u>	<u>\$ 7,560,394</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

On March 21, 2002, the District issued \$10,030,000 Series A-2 Revenue Refunding Bonds with a variable interest rate to refund \$9,290,000 of the outstanding 1997A Series bonds with an average interest rate of 5.652 percent. The District also entered into an interest swap agreement with Ambac Financial Services, L.P. which guarantees the district a fixed interest rate of 4.53% with these bonds through October 1, 2010. The District does have the option of continuing the agreement at a negotiated rate at that time. Since there is not a way to determine what the interest rate will be after that date, the 4.53% rate was used in the disclosures here. The period between the date of closing and the first call date of the Bonds is not more than 10 ½ years. The District has the right to purchase bonds in lieu of certain redemptions. All redemptions and purchases in lieu of redemption or purchase price of 100% of the principal amount of the bonds being redeemed or purchased plus accrued interest, if any, to the relevant redemption or purchase date. The remaining debt service is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2007	\$ 100,000	\$ 469,137	\$ 569,137
2008	100,000	464,297	564,297
2009	600,000	455,296	1,055,296
2010	600,000	426,015	1,026,015
2011	700,000	395,918	1,095,918
2012	700,000	361,789	1,061,789
2013	700,000	327,597	1,027,597
2014	700,000	293,436	993,436
2015	800,000	258,459	1,058,459
2016	800,000	219,438	1,019,438
2017	800,000	180,378	980,378
2018	800,000	141,337	941,337
2019	800,000	102,296	902,296
2020	800,000	63,261	863,261
2021	<u>630,000</u>	<u>25,602</u>	<u>655,602</u>
Totals	<u>\$ 9,630,000</u>	<u>\$ 4,184,256</u>	<u>\$ 13,814,256</u>

On March 27, 1997, the District issued \$13,435,000 in Series 1997A Revenue bonds with interest rates that range from 4.05% to 5.75% and are payable in semiannual installments including interest on April 1 and October 1 of each year. The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. Optional redemption of the bonds maturity on and after October 1, 2009 are subject to redemption prior to maturity at the option of the District on and after October 1, 2007, as a whole or in part at any time, from such redemption date. The Series 1997A bonds maturing on October 1, 2017 through October 1, maturities or parts thereof as shall be selected by the District, plus accrued interest to 2021 are subject to mandatory sinking fund redemption on October 1, 2013 through October 1, 2018, at

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

a redemption price equal to 100% of the principal amount of such Series 1997A bonds to be so redeemed, plus accrued interest to the redemption date. The Series 1997A bonds were partially refunded in 2002. The remaining debt service is as follows:

Year Ending Dec. 31	Principal	Interest	Annual Debt Service
2007	\$ 455,000	\$ 49,985	\$ 504,985
2008	480,000	24,960	504,960
Totals	<u>\$ 935,000</u>	<u>\$ 74,945</u>	<u>\$ 1,009,945</u>

During 2000 and 2001, \$6,000,000 in Water Conservancy Revenue bonds were issued by the District to the state of Utah with the proceeds being designated for the Sand Hollow Project. Each principal installment is subject to prepayment and redemption at any time, in whole or in part (if in part, in integral multiples of \$1,000), at the election of the Issuer, and at a Redemption Price of 100% plus unpaid interest on any past due principal installment. These bonds are non interest-bearing bonds and mature as follows:

2030	\$ 1,500,000	2032	1,500,000
2031	1,500,000	2033	1,500,000
		Total	<u>\$ 6,000,000</u>

On July 15, 1999, the District issued \$22,570,000 in Series 1999A Revenue Bonds with interest rates that range from 4.35% to 5.5 % and are payable in semiannual installments including interest on April 1 and October 1 of each year. The bonds maturing on or after October 1, 2009, are not subject to redemption prior to maturity. The bonds maturing on or after October 1, 2010 are subject to redemption at any time on or after October 1, 2009, in whole or in part, at the election of the Issuer from such maturities as shall be determined by the Issuer in its discretion and within each maturity as selected by the Trustee, upon notice as provided in Section 4.03 of the Resolution, and at redemption price equal to 100% of the principal amount of each Series 1999A Bond or portion thereof to be so redeemed, plus interest to the redemption date. The Series 1999A term bonds maturing on October 1, 2019, through October 1, 2029, shall be subject to redemption in part by operation of sinking fund installments starting on October 1, 2015, and on each October 1 thereafter and including October 1, 2028. The Series 1999A bonds were partially refunded in 2002. The remaining debt service is as follows:

Year Ending Dec. 31	Principal	Interest	Annual Debt Service
2007	\$ 490,000	\$ 105,812	\$ 595,812
2008	510,000	82,782	592,782
2009	535,000	58,302	593,302
2010	560,000	32,087	592,087
2011	50,000	2,687	52,687
Totals	<u>\$ 2,145,000</u>	<u>\$ 281,671</u>	<u>\$ 2,426,671</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

On October 31, 2002, the District issued \$20,000,000 in Series 2002C Revenue Bonds with interest rates that range from 3.00% to 5.25 % and are payable in semiannual installments including interest on April 1 and October 1 of each year. The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. First call date is not more than 10 ½ years. Optional redemption of the Series 2002C bonds maturing on and after October 1, 2013 are subject to mandatory sinking fund redemption prior to maturity at the option of the District on and after October 1, 2012, in whole or in part at any time, from such maturities or parts thereof as shall be selected by the District, at a redemption price of 100% of the principal amount of the bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. Sinking fund redemption of the Series 2002C bonds maturing on October 1, 2020, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount of such Series 2002C bonds to be so redeemed, plus accrued interest to the redemption date. The remaining debt service is as follows:

<u>Year</u> <u>Ending Dec. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2007	\$ 480,000	\$ 937,132	\$ 1,417,132
2008	505,000	917,931	1,422,931
2009	515,000	892,681	1,407,681
2010	555,000	866,931	1,421,931
2011	575,000	839,182	1,414,182
2012	615,000	810,431	1,425,431
2013	650,000	779,681	1,429,681
2014	675,000	745,556	1,420,556
2015	715,000	710,119	1,425,119
2016	750,000	672,581	1,422,581
2017	795,000	635,081	1,430,081
2018	825,000	595,331	1,420,331
2019	875,000	552,019	1,427,019
2020	925,000	510,819	1,435,819
2021	960,000	467,250	1,427,250
2022	1,005,000	420,450	1,425,450
2023	1,055,000	371,456	1,426,456
2024	1,110,000	320,025	1,430,025
2025	1,170,000	265,912	1,435,912
2026	1,230,000	204,488	1,434,488
2027	1,295,000	139,913	1,434,913
2028	<u>1,370,000</u>	<u>71,925</u>	<u>1,441,925</u>
Totals	<u>\$ 18,650,000</u>	<u>\$ 12,726,894</u>	<u>\$ 31,376,894</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

On March 11, 2004 the Board of Water Resources agreed to purchase \$2,000,000 in District revenue bonds for the District's Gunlock to Santa Clara transmission pipeline project which will be repaid at 2% interest over 25 years. Each series principal installment is subject to repayment and redemption at any time, in whole or in part (if in part, in integral multiples of \$1,000), at the election of the Issuer, in inverse order of the due dates of the Series 2004 Principal Installments, upon notice as provided in Section 4.03 of the Resolution, and at the Redemption Price of 100%, plus accrued interest. The remaining debt service is as follows:

Year Ending Dec. 31	Principal	Interest	Annual Debt Service
2007	\$ 52,000	\$ 37,980	\$ 89,980
2008	53,000	36,940	89,940
2009	54,000	35,880	89,880
2010	55,000	34,800	89,800
2011	74,000	33,700	107,700
2012	75,000	32,220	107,220
2013	77,000	30,720	107,720
2014	78,000	29,180	107,180
2015	80,000	27,620	107,620
2016	82,000	26,020	108,020
2017	83,000	24,380	107,380
2018	85,000	22,720	107,720
2019	87,000	21,020	108,020
2020	88,000	19,280	107,280
2021	90,000	17,520	107,520
2022	92,000	15,720	107,720
2023	94,000	13,880	107,880
2024	96,000	12,000	108,000
2025	97,000	10,080	107,080
2026	99,000	8,140	107,140
2027	101,000	6,160	107,160
2028	103,000	4,140	107,140
2029	104,000	2,080	106,080
Totals	<u>\$ 1,899,000</u>	<u>\$ 502,180</u>	<u>\$ 2,401,180</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

On May 1, 2006, the District issued \$19,000,000 in Revenue Bonds with an average interest rate of 4.9 percent to advance refund \$18,795,000 of outstanding 1999A Series bonds with an average interest rate of 5.442 percent. The net proceeds of \$19,735,753 (including a original issue premium of \$1,089,163 after payment of \$353,410 in underwriting, insurance, and other issuance costs) plus an additional \$110,000 of 1999A Series sinking fund monies were used to purchase U.S. Treasury securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for any future debt service payments on the 1999A Series bonds. As a result, the 1999A Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The remaining debt service is as follows:

<u>Year</u> <u>Ending Dec. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
2007	\$ 30,000	\$ 934,350	\$ 964,350
2008	35,000	933,300	968,300
2009	35,000	932,075	967,075
2010	35,000	930,850	965,850
2011	575,000	929,450	1,504,450
2012	655,000	906,450	1,561,450
2013	675,000	880,250	1,555,250
2014	715,000	846,500	1,561,500
2015	745,000	810,750	1,555,750
2016	785,000	773,500	1,558,500
2017	830,000	734,250	1,564,250
2018	870,000	692,750	1,562,750
2019	915,000	649,250	1,564,250
2020	960,000	603,500	1,563,500
2021	1,010,000	555,500	1,565,500
2022	1,055,000	505,000	1,560,000
2023	1,110,000	452,250	1,562,250
2024	1,165,000	396,750	1,561,750
2025	1,220,000	338,500	1,558,500
2026	1,285,000	277,500	1,562,500
2027	1,350,000	213,250	1,563,250
2028	1,420,000	145,750	1,565,750
2029	<u>1,495,000</u>	<u>74,750</u>	<u>1,569,750</u>
Totals	<u>\$ 18,970,000</u>	<u>\$ 14,516,475</u>	<u>\$ 33,486,475</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE - (CONTINUED)

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On December 31, 2006, \$18,795,000 of bonds outstanding are considered defeased.

Bond Issue costs have been incurred on the various issues. They are classified as other assets and are being amortized over the life of the bonds. The following shows the 2006 activity:

	Beginning Balance 12/31/2005	2006 Additions	2006 Decreases	Ending Balance 12/31/2006
Bond Issue Costs	\$ 741,999	\$ 360,236	\$ —	\$ 1,102,235
Amortization	(220,840)	38,770	—	(259,610)
Net	<u>\$ 521,159</u>	<u>\$ 55,146</u>	<u>\$ —</u>	<u>\$ 842,625</u>

NOTE 8 - LONG TERM DEBT

As of December 1, 1994, Cedar City, Utah exercised their option and pulled out of their contract agreement with the District (see Note 18). Per the contract this requires the District to reimburse Cedar City for the project costs they had prepaid (\$1,282,500) over 20 years at 5.0% interest with the first payment beginning December 1, 2000 as listed below. During 2000, Cedar City and the District agreed to lower this amount by the City's proportionate share of repair costs. This was recorded on the financial statements as a prior period adjustment of \$19,397 to fund balance and lowering the debt to \$1,263,103. The remaining debt service is as follows:

Year Ending December 31	Principal	Interest	Annual Debt Service
2007	\$ 67,188	\$ 59,505	\$ 126,693
2008	70,548	56,145	126,693
2009	74,075	52,618	126,693
2010	77,779	48,914	126,693
2011	81,668	45,025	126,693
2012	85,751	40,942	126,693
2013	90,039	36,654	126,693
2014	94,540	32,153	126,693
2015	99,267	27,426	126,693
2016	104,231	22,462	126,693
2017	109,442	17,251	126,693
2018	114,915	11,778	126,693
2019	<u>120,660</u>	<u>6,033</u>	<u>126,693</u>
Totals	<u>\$ 1,190,103</u>	<u>\$ 456,906</u>	<u>\$ 1,647,009</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT - (CONTINUED)

On August 9, 2006 the District entered into a Promissory Note Agreement with Washington County in the Disaster Loan Program for \$549,410 to help with the flood damage that occurred in January 2006. The Note is interest free and matures on June 1, 2007.

The following is a summary of the District's Long-Term Debt by type at December 31, 2006:

General Obligation Bonds	\$ 10,365,000
Revenue Bonds	58,229,000
Notes Payable	<u>1,739,513</u>
Total	<u>\$ 70,333,513</u>

The following is a summary of bond and loan transactions for the District during 2006:

	Balance 12/31/2005	New Debt	Repayments	Transfers	Balance 12/31/2006
Governmental Activities Debt:					
2002C Revenue Bonds	\$19,115,000	\$ —	\$ 465,000	\$ (18,650,000)	\$ —
Washington County Note	549,410	—	—	—	549,410
2004 Revenue Bonds	<u>1,950,000</u>	<u>—</u>	<u>51,000</u>	<u>(1,899,000)</u>	<u>—</u>
Total Governmental Debt	21,098,410	—	516,000	(20,549,000)	549,410
Plus Deferred Issuance Premiums	<u>703,468</u>	<u>—</u>	<u>30,586</u>	<u>(672,882)</u>	<u>—</u>
Governmental Activities Net Debt	<u>\$ 22,317,878</u>	<u>\$ —</u>	<u>\$ 546,586</u>	<u>\$ (21,221,882)</u>	<u>\$ 549,410</u>
Business-type Activities Debt:					
1999A Series Revenue Bonds	\$ 2,610,000	\$ —	\$ 465,000	—	\$ 2,145,000
1999 Series Refunding Bonds	6,000,000	—	335,000	—	5,665,000
2000A Series Revenue Bonds	6,000,000	—	—	—	6,000,000
2002 A-2 Refunding Bonds	9,730,000	—	100,000	—	9,630,000
1990 Water Conservancy Bonds	5,700,000	—	1,000,000	—	4,700,000
2005B Refunding Bonds	19,000,000	—	30,000	—	18,970,000
Cedar City Refund Note	1,254,092	—	63,989	—	1,190,103
1997A Bonds	1,775,000	—	430,000	—	935,000
2002C Revenue Bonds	—	—	—	18,650,000	18,650,000
2004 Revenue Bonds	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,899,000</u>	<u>1,899,000</u>
Total Business-type Debt	51,659,092	—	2,423,989	20,549,000	69,784,103
Plus Deferred Issuance Premiums	1,045,596	—	74,153	672,882	1,644,325
Less Deferred Refunding Costs	<u>(2,247,880)</u>	<u>—</u>	<u>(125,301)</u>	<u>—</u>	<u>(2,122,579)</u>
Business-type Activities Net Debt	<u>\$ 50,456,808</u>	<u>\$ —</u>	<u>\$ 2,372,841</u>	<u>\$ 21,221,882</u>	<u>\$ 69,305,849</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG TERM DEBT - (CONTINUED)

Total remaining principle and interest debt service by year is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2007	\$ 3,573,598	\$ 2,864,789	\$ 6,438,387
2008	3,128,548	2,771,105	5,899,653
2009	3,198,075	2,664,309	5,862,384
2010	3,297,779	2,558,551	5,856,330
2011	3,185,668	2,445,162	5,630,830
2012	2,585,751	2,330,121	4,915,872
2013	2,672,039	2,210,745	4,882,784
2014	2,757,540	2,078,776	4,836,316
2015	2,959,267	1,940,424	4,899,691
2016	3,076,231	1,791,832	4,868,063
2017	3,202,442	1,639,246	4,841,688
2018	3,314,915	1,480,191	4,795,106
2019	2,797,660	1,330,618	4,128,278
2020	2,773,000	1,196,860	3,969,860
2021	2,690,000	1,065,872	3,755,872
2022	2,152,000	941,170	3,093,170
2023	2,259,000	837,586	3,096,586
2024	2,371,000	728,775	3,099,775
2025	2,487,000	614,492	3,101,492
2026	2,614,000	490,128	3,104,128
2027	2,746,000	359,323	3,105,323
2028	2,893,000	221,815	3,114,815
2029	1,599,000	76,830	1,675,830
2030	1,500,000	—	1,500,000
2031	1,500,000	—	1,500,000
2032	1,500,000	—	1,500,000
2033	1,500,000	—	1,500,000
Totals	<u>\$ 70,333,513</u>	<u>\$ 34,638,721</u>	<u>\$ 104,972,234</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - TAX RATE

During 2006 the District, in accordance with State Law, assessed Washington County property owners a tax rate of .001 for the purpose of water conservancy.

NOTE 10 - DEFERRED REVENUE

During 1991 the City of St. George exercised the option in its contract with the District that allowed them to prepay 46 years of project water costs for 10,000 acre feet annually of Quail Creek water for \$5,500,000. However, the city will continue to be obligated to pay operation and maintenance costs and repair and replacement fund costs consistent with the remaining terms of the original contract. The \$5,500,000 was recorded as a deferred revenue and will be recognized as revenue over the 46-year period on a straight line basis.

During 2000 the City of Ivins prepaid 50 years of project water costs for 1,000 acre feet annually of Quail Creek water for \$1,000,000 per its contract with the District. The City will be obligated to pay operation and maintenance costs and repair and replacement fund costs consistent with the remaining terms of the contract. The \$1,000,000 was recorded as a deferred revenue and will be recognized as revenue over the 50-year period on a straight line basis.

NOTE 11 - OPERATING TRANSFERS

During 2006 the following transfers were made including transferring of \$1,770,005 of property taxes and fees in lieu of taxes from the General Fund to the Enterprise Fund for debt service of the General Obligation bonds carried in the Enterprise fund.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Virgin River Program</u>
Transfers In	\$ —	\$ 2,672,187	\$ 4,398,640	\$ —
Transfers (Out)	<u>(5,972,434)</u>	<u>(551,634)</u>	<u>(428,398)</u>	<u>(118,361)</u>
Net	<u>\$ (5,972,434)</u>	<u>\$ 2,120,553</u>	<u>\$ 3,970,242</u>	<u>\$ (118,361)</u>

NOTE 12 - EMPLOYEE RETIREMENT BENEFITS

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, Firefighters Retirement System which is for employers with (without) Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members are required to contribute a percent of their covered salary (all are part may be paid by the employer) to the respective systems to which they belong. The contribution rates in effect at December 31, 2006 were as follows based upon the total salary for the eligible employees. All member contributions were paid by the District in behalf of the employee. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Utah Public Employees Retirement System

	<u>January - June</u> <u>Contributory Plan</u>	<u>July - December</u> <u>Contributory Plan</u>	
Employee's Portion Paid by Employer	6.00%	6.00%	
Employer's Portion Paid by Employer	<u>7.08%</u>	<u>7.58%</u>	
Total	<u>13.08%</u>	<u>13.58%</u>	
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Salaries Subject to Contribution	<u>\$ 1,020,509</u>	<u>\$ 710,677</u>	<u>\$ 618,818</u>
District Contributions	<u>\$ 136,388</u>	<u>\$ 92,957</u>	<u>\$ 76,488</u>

In addition, the District contributes 3% of the employees salary and matches up to 6% of the employees' contribution to a 401k savings plan as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Employee paid</u> <u>Contributions</u>	<u>Employer paid</u> <u>for employee</u> <u>Contributions</u>
2006	\$ 80,875	\$ 97,258
2005	58,070	63,838
2004	49,008	55,344

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RESTRICTED NET ASSETS

The District determined to set aside funds for future projects. Accordingly, as of December 31, 2006, \$10,189,560 the Capital Project fund balance is restricted to be used for new water conservancy projects. In addition, \$2,492,347 of enterprise net assets that is held by trustee as debt reserve has been restricted for debt service.

NOTE 14 - LITIGATION

During the ordinary course of its operation, the district is a party to various claims, legal actions and complaints. In the opinion of the District's management and legal counsel, it is not anticipated that these matters have a material financial impact on the District.

NOTE 15 - OTHER COMMITMENTS

The District has entered into a water supply agreement with the Town of Virgin wherein the District will reimburse the Town for debt service payments made by the Town on bonds that the Town remains liable. During 2006, the District reimbursed the Town \$3,202. The bond issue matures in 2016.

The District is obligated at December 31, 2006, under various uncompleted construction contracts as follows:

<u>Project</u>	<u>Project Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
St. George & Washington Canal Co. Pipeline Project Phase III	\$ 760,799	\$ —	\$ 760,799
Little Valley Storm Drain Project	745,016	—	745,016
Sand Hollow Well #18	355,756	183,283	172,472
Sand Hollow Well #21	338,913	281,126	57,786
Sand Hollow Well #23	315,126	21,142	293,983
Quail Lake Bypass Pipeline	832,485	536,084	296,401
	<u>\$ 3,348,095</u>	<u>\$ 1,021,635</u>	<u>\$ 2,326,460</u>

NOTE 16 - WATER TREATMENT PLANT

Effective April 23, 2006, the District assumed the Operational Management of the St. George Treatment Facilities for the benefit of St. George and the District's other Municipal Customers per the agreement with St. George City. The District's Operational Management will include the management, operation, maintenance, repair and replacement of the Treatment Facilities. The costs associated with the District's Operational Management of the Treatment Facilities shall be paid for by the District. However, the District shall be entitled to fully recover its costs from St. George and the other Municipal Customers. The agreement provides that St. George will retain ownership and oversight control of the Treatment Facilities. St. George

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - WATER TREATMENT PLANT (CONTINUED)

remains fully responsible for any debt obligation related to the Treatment Facilities in order to continue receiving the water to which it is currently entitled. The District will pay to St. George an amount equal to the scheduled principal and interest payments on the Bonds that are specifically attributed to the Expanded Treatment Facility in the amount of approximately \$26,000,000, which payments shall be treated as operation and maintenance expenses by the District. Either party has the right to terminate this agreement upon one year written notice.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable/ (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE:				
Property Taxes (Note 9)	\$ 8,594,301	\$ 8,594,301	\$ 8,868,859	\$ 274,558
Interest Income	200,000	200,000	526,666	326,666
Other Income	10,000	10,000	664,125	654,125
Total Revenues	<u>8,804,301</u>	<u>8,804,301</u>	<u>10,059,650</u>	<u>1,255,349</u>
EXPENDITURES:				
Capital Expenditures	398,000	398,000	173,083	224,917
New Project Development	1,000,000	1,000,000	211,629	788,371
Public Relations	51,500	51,500	39,429	12,071
Payroll	393,133	393,133	335,037	58,096
State Retirement (Note 12)	85,039	85,039	68,005	17,034
Cloud Seeding	35,000	35,000	25,125	9,875
Audit & Accounting	32,500	32,500	21,888	10,612
Telephone	15,666	15,666	7,476	8,190
Insurance and Bond	99,715	99,715	76,586	23,129
Travel & Training	48,500	48,500	17,675	30,825
Office	61,800	61,800	84,325	(22,525)
Printing	25,000	25,000	254	24,746
Miscellaneous	16,635	16,635	1,984	14,651
Legal	285,000	285,000	217,417	67,583
Auto Expense	13,627	13,627	12,554	1,073
Board Expense	48,039	48,039	38,462	9,577
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Flood Damage Restoration	-	-	304,165	(304,165)
Engineering	-	-	-	-
Environmental	-	-	-	-
Conservation	190,000	190,000	98,058	91,942
Utilities	12,713	12,713	6,887	5,826
Building Maintenance	20,000	20,000	8,174	11,826
Total Expenditures	<u>2,831,867</u>	<u>2,831,867</u>	<u>1,748,213</u>	<u>1,083,654</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out) (Note 11)	(5,972,434)	(5,972,434)	(5,972,434)	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources	<u>(5,972,434)</u>	<u>(5,972,434)</u>	<u>(5,972,434)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	2,339,003	2,339,003
Fund Balance at Beginning of Year	4,753,890	4,753,890	4,753,890	-
FUND BALANCE AT END OF YEAR	<u>\$ 4,753,890</u>	<u>\$ 4,753,890</u>	<u>\$ 7,092,893</u>	<u>\$ 2,339,003</u>

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Virgin River Program

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance- Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE:				
Property Taxes (Note 9)	\$ -	\$ -	\$ -	\$ -
Interest Income	50,000	180,714	173,636	(7,078)
Other Income	3,070,200	4,300,896	1,017,133	(3,283,763)
Total Revenues	3,120,200	4,481,610	1,190,769	(3,290,841)
EXPENDITURES:				
Capital Expenditures	1,050,000	1,050,000	-	1,050,000
New Project Development	1,068,650	1,043,650	18,615	1,025,035
Public Relations	50,000	100,000	88,049	11,951
Payroll	50,950	50,950	41,234	9,716
State Retirement (Note 12)	10,000	10,000	9,432	568
Cloud Seeding	-	-	-	-
Audit & Accounting	-	-	-	-
Telephone	1,500	1,500	955	545
Insurance and Bond	15,000	15,000	14,409	591
Travel & Training	11,500	11,500	15,372	(3,872)
Office	1,500	1,500	10,312	(8,812)
Printing	1,100	1,100	-	1,100
Miscellaneous	5,000	5,000	-	5,000
Legal	-	-	-	-
Auto Expense	-	-	-	-
Board Expense	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issue Costs	-	-	40,000	(40,000)
Operations & Maintenance	105,000	105,000	25,383	79,617
Environmental	750,000	750,000	807,923	(57,923)
Conservation	-	-	-	-
Utilities	-	-	724	(724)
Building Maintenance	-	-	-	-
Total Expenditures	3,120,200	3,145,200	1,072,408	2,072,792
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out) (Note 11)	-	-	(118,361)	(118,361)
Bond Proceeds	-	-	-	-
Total Other Financing Sources	-	-	(118,361)	(118,361)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	1,336,410	-	(1,336,410)
Fund Balance at Beginning of Year	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ 1,336,410	\$ -	\$ (1,336,410)

The notes to the financial statements are an integral part of this statement.

**OTHER
SUPPLEMENTARY
INFORMATION**

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and actual - Capital Projects Fund

For the Year Ended December 31, 2006

	Budget	Actual	Variance- Favorable/ (Unfavorable)
REVENUE:			
Property Taxes (Note 9)	\$ -	\$ -	\$ -
Impact Fees	8,200,000	4,964,824	(3,235,176)
Interest Income	47,050	68,664	21,614
Other Income	12,557,038	12,946,923	389,885
Total Revenues	20,804,088	17,980,411	(2,823,677)
EXPENDITURES:			
Capital Expenditures	-	-	-
New Project Development	20,490,000	12,608,891	7,881,109
Public Relations	-	-	-
Payroll	-	-	-
State Retirement (Note 12)	-	-	-
Cloud Seeding	-	-	-
Audit & Accounting	-	-	-
Telephone	-	-	-
Insurance and Bond	-	-	-
Travel & Training	-	-	-
Office	-	-	-
Printing	-	-	-
Miscellaneous	-	3,350	(3,350)
Legal	-	179	(179)
Auto Expense	-	-	-
Board Expense	-	-	-
Debt Service:	-	-	-
Principal	516,000	516,000	-
Interest	990,081	990,081	-
Bond Issue Costs	-	-	-
Engineering	-	-	-
Environmental	-	-	-
Conservation	-	-	-
Utilities	-	-	-
Building Maintenance	-	-	-
Total Expenditures	21,996,081	14,118,501	7,877,580
OTHER FINANCING SOURCES (USES):			
Operating Transfers In (Out) (Note 11)	2,672,187	2,120,553	(551,634)
Bond Proceeds	-	-	-
Total Other Financing Sources	2,672,187	2,120,553	(551,634)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,480,194	5,982,463	4,502,269
Fund Balance at Beginning of Year	4,171,075	4,171,075	-
FUND BALANCE AT END OF YEAR	\$ 5,651,269	\$ 10,153,538	\$ 4,502,269

The notes to the financial statements are an integral part of this statement.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets

Budget and Actual - Proprietary Fund

For the Year Ended December 31, 2006

	Budget	Actual	Variance- Favorable/ (Unfavorable)
OPERATING REVENUES:			
Power Sales	\$ 975,000	\$ 939,795	\$ (35,205)
Water Sales	1,864,300	3,536,254	1,671,954
Water Availability Fees	358,000	220,643	(137,357)
Total Revenues	3,197,300	4,696,692	1,499,392
EXPENSES:			
Depreciation (Note 5)	2,262,545	2,291,322	(28,777)
Environmental	81,885	86,841	(4,956)
Operations & Maintenance	3,529,791	1,924,626	1,605,165
Payroll	960,900	750,663	210,237
State Retirement (Note 12)	191,000	162,332	28,668
Insurance & Bonds	434,892	332,379	102,513
Utilities	412,500	479,588	(67,088)
Water Fees	31,030	28,980	2,050
Telephone	22,015	16,878	5,137
Auto Expenses	49,668	37,090	12,578
Services Charges	98,635	80,987	17,648
Miscellaneous	22,583	3,693	18,890
Training & Travel	52,675	28,649	24,026
Total Expenses	8,150,119	6,224,028	1,926,091
Income (Loss) From Operations	(4,952,819)	(1,527,336)	3,425,483
OTHER INCOME (EXPENSES):			
Other Income	240,000	205,609	(34,391)
Interest Income	62,000	102,424	40,424
Interest Expense	(1,949,522)	(2,228,808)	(279,286)
Total Other Income (Expenses)	(1,647,522)	(1,920,775)	(273,253)
Net Income (Loss)	(6,600,341)	(3,448,111)	3,152,230
Net Assets at Beginning of Year	30,122,366	30,122,366	-
Transfers In (Out) (Note 12)	3,418,608	3,970,242	551,634
Transfers of Capital Assets (Note 12)	-	9,211,387	9,211,387
Net Assets at End of Year	\$ 26,940,633	\$ 39,855,884	\$ 12,915,251

The notes to financial statements are an integral part of this statement.

WASHINGTON COUNT WATER CONSERVANCY DISTRICT SCHEDULE OF IMPACT FEES

For The Fiscal Year Ended June 30, 2006

WATER IMPACT FEES

On October 17, 2005 Washington County Water Conservancy District adopted a Water Impact Fee to fund a Regional Water Capital Facilities Plan and a Retail Water Capital Facilities Plan which has been prepared based on reasonable growth assumptions for the District and general demand characteristics of current and future recipients of water services. The impact fees are charged to ensure that new growth pays its proportionate share of the costs for the development of water and other public infrastructure. Impact fee revenues will not be used to increase an existing level of service or for curing of existing deficiencies.

PROPORTIONATE SHARE OF FUTURE CAPITAL PROJECT COSTS

The Capital Project is the **Regional Water Supply Project**. The following projects are actually sub-projects of the one **Regional Water Supply Project**.

Future Capital Projects	Construction Year Costs	Stat/Federal Grants	Attributable to Impact Fees	Costs to Impact Fees
Water Source				
Ash Creek	\$ 12,715,147.44	0%	100%	\$ 12,715,147.44
Well Development (recharge)	4,074,000.00	0%	100%	4,074,000.00
Water Acquisition (15k) Ag conversion	12,674,931.10	0%	100%	12,674,931.10
Wastewater Reuse	25,516,824.73	0%	100%	25,516,824.73
Water Treatment				
Quail Creek WTP (Additional 40 Mgd)	54,517,715.51	0%	100%	54,517,715.51
Water Treatment/ Lake Powell #1 (20 Mgd)	33,876,116.56	0%	100%	33,876,116.56
Water Treatment/ Lake Powell #2 (20 Mgd)	40,624,441.22	0%	100%	40,624,441.22
Water Treatment/ Lake Powell #3 (20 Mgd)	48,717,072.44	0%	100%	48,717,072.44
Pipeline/Transmission				
Lake Powell Pipeline/ Fort Pierce Reservoir	562,361,591.04	0%	100%	562,361,591.04
Sullivan Well Completion	1,555,500.00	0%	100%	1,555,500.00
Crystal Creek	6,689,508.00	0%	100%	6,689,508.00
Canal Piping/ Washington Fields/ Warner Res./ Ag Dev	46,112,606.49	15%	85%	39,195,715.52
By-Pass Line	3,500,000.00	0%	100%	3,500,000.00
Capital Project Totals	\$ 852,935,454.53			\$ 846,018,563.56

Recommended Maximum Water Availability Charge Per ERU

The overall assignments of proportionate share and costs have been based on a per Af basis, but ultimately the cost per Af is converted to a per ERU basis. The Utah State Drinking Water Board requires that the District provide enough infrastructures to service 0.89 Af of water per single family dwelling unit. The actual adopted impact fee schedule is shown below on a per ERU basis. A supply of 0.45 Af is dedicated for indoor needs while 0.44 Af is required for outdoor watering.

RECOMMENDED WATER AVAILABILITY CHARGES PER ERU

Proposed Impact Fee per ERU			
Year	Proposed Fee	Year	Proposed Fee
2005	4,130	2022	9,467
2006	4,337	2023	9,940
2007	4,554	2024	10,437
2008	4,781	2025	10,959
2009	5,021	2026	11,507
2010	5,272	2027	12,082
2011	5,535	2028	12,687
2012	5,812	2029	13,321
2013	6,102	2030	13,987
2014	6,408	2031	14,686
2015	6,728	2032	15,421
2016	7,064	2033	16,192
2017	7,418	2034	17,001
2018	7,788	2035	17,851
2019	8,178	2036	18,744
2020	8,587	2037	19,681
2021	9,016	2038	20,665

Residential and Non-Residential Water Availability Charge Schedule

This analysis has defined a base residential demand at one ERU or 0.89 Af which includes annual indoor usage plus potential irrigation of the equivalent of 5,000 Sf or less. The meter sizes for residential users are based upon a ¾" or 5/8" connection which is equated to one ERU assuming that the area irrigated does not exceed 5,000 Sf. If the irrigable area is greater than 5,000 Sf then an additional irrigation charge is assessed. Demands for 3" meters and larger can be very different from meter to meter and the potential volumes that can be used by one meter are very large. To ensure accuracy of the impact fees charged to large meters, the demand for each 3" meter or larger will be individually estimated and assessed according to the non-standard impact fee formula seen below.

RESIDENTIAL WATER AVAILABILITY CHARGE SCHEDULE

Lot Size (Sf)	ERUs	2006 Impact Fee	2007 Impact Fee	2008 Impact Fee	2009 Impact Fee
Annual Impact Fee per ERU		\$ 4,337	\$ 4,554	\$ 4,781	\$ 5,021
3/4" Meter - 10k Sf or less irrigable area	1.00	\$ 4,337	\$ 4,554	\$ 4,781	\$ 5,021
1.00" Meter	2.16	9,381	9,850	10,343	10,860
1.50" Meter	7.17	31,097	32,652	34,285	35,999
2.00" Meter	11.54	50,062	52,565	55,193	57,953
All Meters - per 1,000 Sf above 5,000 Sf irrigable area	0.10	425	446	469	492

FORMULA FOR NON-STANDARD IMPACT FEE CALCULATION

$$\text{Projected Annual Water Demand (Af)} \div 0.89 \times \text{Annually Adjusted Impact Fee per ERU} = \text{Recommended Impact Fee}$$

The Water District is required to place these impact fees into a separate Interest bearing account and may expend these funds only on capital improvements, retiring debt for a system or other expenditures allowed by law.

Extension of Time for Extraordinary Circumstances

The District has declared that it may hold previously dedicated or unencumbered fees for longer than six years based upon the extraordinary costs and complexity of the Lake Powell Pipeline Project taken in conjunction with all other projects that must be constructed in a timely manner in order for water supplies to be sufficient at the time at which demand arises, therefore compelling that fees be held longer than six years. Such fees will be expended no later than December 2038.

The total impact fees and interest collected through December 31, 2006, were \$4,879,283.49. There were no expenditures for the fiscal year of 2006, and interest earned was \$35,551.09.

**Washington County Water Conservancy District
General Fund/Capital Improvement Fund Impact Fees
Revenue and Actual Expenditures
For the period ending December 31, 2006**

Year							
		Fees Collected	Interest Income	Project Expenditures	Impact Fee Balance	Total	
2005	Regional Water Supply Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	Regional Water Supply Project	\$ 4,843,732	\$ 35,551	\$ 1,289,879	\$ 3,589,405	\$ 3,589,405	\$ 3,589,405
Capital Project Totals							

Total Impact Fees Collected \$ 4,879,283
Total Spent \$ -
Remaining Balance \$ 4,879,283



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Washington County Water Conservancy District
St. George, Utah

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County Water Conservancy District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC
May 23, 2007

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2006

Federal or Pass-Through Grantor	Federal CFDA #	Expenditures	Major Program
<u>U.S. DEPT. OF AGRICULTURE:</u>			
Passed Through Utah State Dept. of Natural Resources			
Soil and Water Conservation	10.902	\$ 2,910,600	X
<u>U.S. DEPT. OF INTERIOR:</u>			
Passed Through Utah State Dept. of Natural Resources			
Recreation Resource Management	15.225	110,332	
		<hr/>	
TOTAL FEDERAL EXPENDITURES		\$ 3,020,932	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Washington County Water Conservancy District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Washington County Water Conservancy District
St. George, Utah

Compliance

We have audited the compliance of the Washington County Water Conservancy District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

This report is intended solely for the information and use of the District's Board, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC

May 23, 2007

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF AUDITORS' RESULTS

- A. Type of audit report issued on the financial statements: Unqualified opinion.
- B. Reportable conditions in internal control disclosed by the audit: None.
- C. Instances of noncompliance material to the financial statements: None.
- D. Reportable conditions in internal control over major programs disclosed by the audit: None
- E. Type of report issued on compliance for major programs: Unqualified opinion.
- F. Audit findings required to be reported under paragraph .510(a): None.
- G. Major Programs:

<u>Program</u>	<u>CFDA</u>	<u>Amount</u>
Soil and Water Conservation Program	10.902	\$ 2,910,600

- H. Dollar threshold used to distinguish between Type A and B programs, as described in paragraph .520(b): \$300,000.

- I. Washington County Water Conservancy District does not qualify as a low-risk auditee under paragraph .530.

**II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED
IN ACCORDANCE WITH *GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS***

Finding: None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AS DEFINED IN PARAGRAPH 510(A)

<u>FINDING</u>	<u>QUESTIONED COSTS</u>
None	None

HAFEN
BUCKNER
EVERETT
& GRAFF, PC
CERTIFIED PUBLIC
ACCOUNTANTS

To the Board of Trustees
Washington County Water Conservancy District
St. George, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District for the year ended December 31, 2006 and have issued our report thereon dated May 23, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

Endangered Species Mitigation Fund (Dept. of National Resources)

Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- * Public Debt
- * Cash Management
- * Purchasing Requirements
- * Budgetary Compliance
- * Special Districts
- * Truth in Taxation and Property Tax Limitations
- * Other General Compliance Issues

The management of the Washington County Water Conservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Washington County Water Conservancy District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

Hafen, Buckner, Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC

May 23, 2007

HAFEN
BUCKNER
EVERETT
& GRAFF, PC
CERTIFIED PUBLIC
ACCOUNTANTS

Board of Trustees
Washington County Water Conservancy District
St. George, Utah 84770

In planning and performing our audit of the general purpose financial statements of Washington County Water Conservancy District as of December 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control.

Our audit made in accordance with generally accepted auditing standards, including the study and evaluation of the District's system of internal control over financial reporting for the year ended December 31, 2006, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions that we believe should be brought to your attention.

Please understand that a letter of this type is intended to be constructive in nature, and that the absence of positive or complimentary comments is not intended to imply that the operation is not efficient or sound.

Credit Cards

Finding

While auditing expenditures we noted that the District's credit card purchases were not entirely supported by adequate documentation.

Recommendation

As credit cards are an area of potential fraud, it is recommended that the District require that all credit card purchases be supported by a receipt and a description of the purpose of the purchase. Melodie has a form available but it is not always being used.

This report is intended for the information and use of the Board of Trustees, management, others within the District and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff, PC
Hafen, Buckner, Everett and Graff, PC
May 23, 2007

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